
STATUTORY INSTRUMENTS

1989 No. 869

The Consumer Credit (Exempt Agreements) Order 1989

Exemption of certain consumer credit agreements by reference to the rate of the total charge for credit

4.—(1) The Act shall not regulate a consumer credit agreement which is an agreement of one of the following descriptions, that is to say—

- (a) subject to paragraphs (2), (3) and (4) below, any debtor-creditor agreement in respect of which the rate of the total charge for credit does not exceed the rate referred to in paragraph (5) below;
- (b) subject to paragraph (4) below, a debtor-creditor-supplier agreement for fixed-sum credit where—
 - (i) the creditor is the creditor under an agreement secured by a land mortgage on any land which either is an exempt agreement by virtue of section 16(1) of the Act or of article 2 above, or is a personal credit agreement which would be an exempt agreement by virtue of either of those provisions if the credit provided were not to exceed £15,000;
 - (ii) the agreement is to finance a premium under a contract of life insurance which provides, in the event of the death before the credit under the agreement referred to in head (i) above has been repaid of the person on whose life the contract is effected, for payment of a sum not exceeding the amount sufficient to defray the sums which, immediately after that credit has been advanced, would be payable to the creditor in respect of that credit and of the total charge for that credit; and
 - (iii) there is no charge forming part of the total charge for credit under the agreement other than interest at a rate not exceeding the rate of interest from time to time payable under the agreement referred to in head (i) above,

and in respect of which the rate of the total charge for credit does not exceed the rate referred to in paragraph (5) below;

- (c) subject to paragraph (4) below, a debtor-creditor agreement in respect of which the only amount included in the total charge for credit is interest which cannot under the agreement at any time exceed the higher of the following, that is to say—
 - (i) the sum of one per cent and the highest of any base rates published by the banks named in paragraph (6) below, being the latest rates in operation on the date 28 days before any such time; and
 - (ii) 13 per cent;

and for the purposes of this sub-paragraph, “interest” means interest at a rate determined in accordance with the formula set out in paragraph (1) of regulation 7 of the Consumer Credit (Total Charge for Credit) Regulations 1980⁽¹⁾, and in that formula as applied by this paragraph “period rate of charge” has the meaning assigned to it in paragraph (2) of that regulation.

⁽¹⁾ S.I.1980/51, amended by S.I. 1985/1192, 1989/596.

(2) Subject to paragraph (3) below, sub-paragraph (a) of paragraph (1) above does not apply to agreements which provide for an increase in, or permit the creditor to increase, the rate or amount of any item which—

- (a) is included in the total charge for credit; or
- (b) would fall to be so included, apart from the operation of regulation 14 of the Consumer Credit (Total Charge for Credit) Regulations 1980,

after the relevant date of the agreement within the meaning of regulation 1(2) of those Regulations.

(3) Sub-paragraph (a) of paragraph (1) above does apply to agreements—

- (a) in relation to which the debtor, or any one of two or more debtors where each debtor is a relative of the other debtor or of one of the other debtors, is an employee of the creditor or of an associate of his and which provide for an increase in, or permit the creditor to increase, the rate or amount of any item such as is mentioned in paragraph (2) above on the termination of such employment with the creditor or such associate, as the case may be; or
- (b) under which the rate or amount of any such item falls to be ascertained throughout the duration of the agreement by reference to the level of any index or other factor in accordance with any formula specified in the agreement;

and which do not provide for an increase in, or permit the creditor to increase, the rate or amount of any item mentioned in paragraph (2) above in any way other than those permitted by either or both of sub-paragraphs (a) or (b) of this paragraph.

(4) Paragraph (1) above does not apply to agreements under which the total amount to be repaid by the debtor to discharge his indebtedness in respect of the amount of credit provided may vary according to any formula specified in the agreement having effect by reference to movements in the level of any index or to any other factor.

(5) The rate mentioned in sub-paragraphs (a) and (b) of paragraph (1) above is the higher of the following, that is to say—

- (a) the sum of one per cent and the highest of any base rates published by the banks named in paragraph (6) below, being the latest rates in operation on the date 28 days before the date on which the agreement is made; and
- (b) 13 per cent.

(6) The banks referred to in paragraphs (1)(c) and (5)(a) above are—

- Bank of England
- Bank of Scotland
- Barclays Bank PLC
- Clydesdale Bank PLC
- Co-operative Bank Public Limited Company
- Coutts & Co.
- Lloyds Bank PLC
- Midland Bank Public Limited Company
- National Westminster Bank Public Limited Company
- The Royal Bank of Scotland p.l.c.
- TSB England & Wales public limited company.